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"After Katrina and Rita, many families in south Louisiana saw their named-storm insurance deductibles climb dramatically," U.S. Rep. Charlie Melancon said. "If you lost a roof during Gustav, chances are you're faced with a very big repair cost and very little help from your insurance company. This tax change will help a lot of folks in this situation recoup a few thousand dollars at tax time."

If taxpayers incurred property damage at their primary residence in a federally declared disaster area, they will be able to claim a deduction on their damage. Previously, they would only be able to claim damage that exceeded 10 percent of their adjusted gross income (minus $100). Under the National Disaster Relief section of the Emergency Economic Stabilization Act, they will now be able to claim all the damage that exceeds $100, with no consideration of adjusted gross income (AGI).

For example, under the old law if a family with an AGI of $60,000 loses its $10,000 car in a flood, the family would only be allowed to claim a loss that exceeds $100 and $6,000 (i.e. 10 percent of $60,000). Therefore, they would only be able to claim a loss of $3,900. Under the new rules, the family would be able to claim a loss of $9,900 for their destroyed car.

These new regulations are modeled after a key provision in the Fair Disaster Tax Relief Act, authored earlier this year by Melancon and 12 of his colleagues from nine disaster-stricken states. Melancon urged House leaders to include this change in the disaster relief package, which was later attached to the financial rescue measure to ensure passage.

Under this change, taxpayers will also have the ability to receive a refund of the taxes that they paid in the earlier year. This prompt refund can help them reinvest in their businesses or make ends meet in the aftermath of a disaster.

Under old law, taxpayers can carry losses back two years. The new rules, as outlined in the financial rescue package, allows disaster victims and businesses to carry back losses five years (instead of two). This will increase the pool of income taxes that may be offset by disaster losses and, therefore, can increase the size of a disaster victim's refund.

These new tax regulations will sunset in 2010.

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